

# Purcari Wineries Plc

Preliminary annual results  
2018



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# Today's presenters

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**Victor Bostan**  
CEO, Founder



- Founded the Group in 2002
- Over 35 years of experience in wine industry
- Built and exited one of the largest wine companies in RU
- Technical University, oenology
- Speaks FR, RO, RU

**Victor Arapan**  
CFO



- 20 years of experience in banking, audit, corporate finance
- 10+ years experience in wine-making companies
- Ex-PWC, Acorex Wineries
- International Management Institute, finance
- Speaks EN, RO, RU

**Diana Durnescu**  
IR Manager



- Over 5 years of experience in business development and FDI attraction
- Ex-Prime Minister's office for FDI
- Academy of Economic Studies
- Speaks EN, RO, RU

**Vasile Tofan**  
Chairman



- Over 10 years experience in FMCG
- Partner at Horizon Capital, \$800m+ AUM
- Ex- Monitor Group, Philips
- MBA Harvard Business School
- Speaks EN, RO, RU, FR, NL

**1** Message to Investors and 2018 Operational Highlights

2 Our Group

3 Detailed Operational Performance 2018

4 2019 outlook

5 Q&A



Rose de Purcari,  
90 points by  
Wine Enthusiast,  
#1 premium Rosé in  
Romania

# 1 Message to shareholders

Dear Shareholders,

2018 has been a truly historical year for Purcari. Exactly 12 months ago, on February 15, we were listed on Bucharest Stock Exchange, excitingly ringing the bourse bell. Indeed, we stepped boldly outside our comfort zone, but this only made us stronger and more focused on delivering on our vision to build an undisputable CEE wine champion. The greater scrutiny, transparency, but also higher visibility, has raised the bar for us performance wise, but also gave us a huge trust boost, in relationship with our customers, suppliers and financial partners.

We have set ourselves bold goals for 2018. Looking back, I can say I am proud about what we managed to achieve. Our organic revenues are up 19%, with core markets of Romania and Poland growing 30% and 22% respectively. We are encouraged by the start of 2019 and believe the rapid expansion will continue this year too. We keep facing the adverse effect of a strengthening MDL, which negatively impacts our margins, but this only makes us more focused on keeping our operational costs under control and finding savings elsewhere. Despite the Fx headwinds, our normalized EBITDA and Net Income are up 30% and 32% respectively, with margins at the very top of our peer group.

We are optimistic about 2019 for which we stocked-up an unprecedented level of inventories, on the back of a record harvest and partner-farmers purchases. By securing our own grapes, we minimize the need for more expensive third party bulk wine purchases, thus trading working capital for higher margins. Even more importantly, we ensure the highest possible quality of wine, which ultimately shows up in sales and customer loyalty. This strategy has worked very well for us in the previous season, so we looked to replicate it this last season again.

One area where we wished we had achieved more is ramping up our M&A growth engine, in addition to our rapid organic expansion. We explored in great detail several opportunities, ended up making a number of offers, but remained disciplined to our principle of not overpaying for assets. We will stay true to this in 2019 too, while continuing to explore potential bolt-ons.

Last, but perhaps most important, we will keep focusing on producing highest quality wines, offering excellent value for money to our consumers, who are our most important stakeholders. In that sense, 2018 has been a remarkable year, with Cuvée de Purcari being named one of the worlds top-10 sparklings at Effervescents du Monde, a truly humbling achievement. The quality of the 2018 vintage is exceptional and we already see it in the record-high Vivino scores for our new whites, already on the shelves. We hope you will enjoy them as much as we do!

Victor Bostan  
CEO

# 1 Key operational highlights of Q4 and full year 2018

## Strong revenue growth

- Sales up 19% yoy, to RON 169m
- Romania remains largest growth driver, growth staying high, at +30%; Poland +22%
- Investments in new categories paying off, with Bardar brandy showing fastest growth

## Solid margins, despite adverse Fx

- Gross margin improved on further premiumization trend, despite MDL appreciating vs. RON by 7%
- SG&A grew slightly below revenues, +17%, on salary increases and post-IPO new costs
- Adj. EBITDA +30%, a 34% margin; adj. net income +32%, to RON 40m; IFRS net income = RON 46m

## Continued our distinct approach to marketing

- Launched arguably the most impactful Q4 festive season campaign for Purcari on record – *Accente*; reached 3.6m views across FB, YouTube and Instagram, with 9k+ shares, 37k+ likes on FB alone
- True to our marketing philosophy, we focused on engaging consumers, inspiring them, inviting them to share our values, not selling to them

## 2018 vintage excellent, both quantity, quality

- Harvest of own grapes up 19% year-on-year; record 3<sup>rd</sup> party purchases, up 74%, sets well for 2019
- Initial feedback from consumers on 2018 vintage whites, which already hit the shelves, is excellent; record Vivino scores: Purcari Rosé = 4.0, Chardonnay = 4.3, Pinot Grigio = 4.2, SauvBlanc = 4.2!

## Strong outlook for 2019

- Optimistic outlook on 2019, confirmed by solid start of the year
- Organic revenues growth guidance +18-22%
- EBITDA margin guidance 32-34% and Net Income margin 22-24%, assuming no Fx improvements

1 Message to Investors and 2018 Operational Highlights

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Negru de Purcari  
2013, 4.4 score on  
Vivino, top 1% wine  
globally

## 2 Our Group: Competitive advantage in a great market

### Attractive market

Secular shift from beer, spirits to wine, especially in CEE

### Competitive advantage

#1 premium wine brand in Romania

Wine growth '16-'20F in Romania 9.0% vs. 1.9% for beer

Plenty to catch up: wine consumption in Poland =  $\frac{1}{4}$  Germany, per cap.

#1 fastest growing large winery in Romania

#1 most awarded CEE winery at Decanter, "wine Olympics"

Shrinking vine plantations, create shortage, push prices up

Romania+Moldova undisputable #1 vineyards size in CEE, 5x vs #2

#2 EBITDA margin among global publicly traded wine peers

#1 on Instagram, Vivino engaging millennials in Romania

## 2 Our business model: Affordable Luxury

Modern,  
cost-competitive  
winemaking

Purcari is positioned at the intersections of three themes:

- **Modern winemaking:** the company is brand-, as opposed to *appellation*-centric and runs a cost-efficient business
- **Affordable luxury:** as an aspirational brand, Purcari wines are an example of affordable luxury, building on a heritage dating back to 1827 and ranking among most awarded wineries in Europe
- **Differentiated marketing:** the company is not afraid to be quirky about the way it approaches marketing, prioritizing digital channels and focusing on engaging content as opposed to traditional advertising



## 2 Our mission, vision and values

### Our mission

To bring joy in people's lives, by offering them high quality, inspiring, ethical wines and excellent value for money.

### Our vision

To become the undisputable wine champion in CEE, acting as a consolidator of a fragmented industry

### Our values

#### *Hungry*

We win in the marketplace because we want it more

#### *Ethical*

Always do the right thing and the money will follow

#### *Thrifty*

The only way we can offer better value for money

#### *Different*

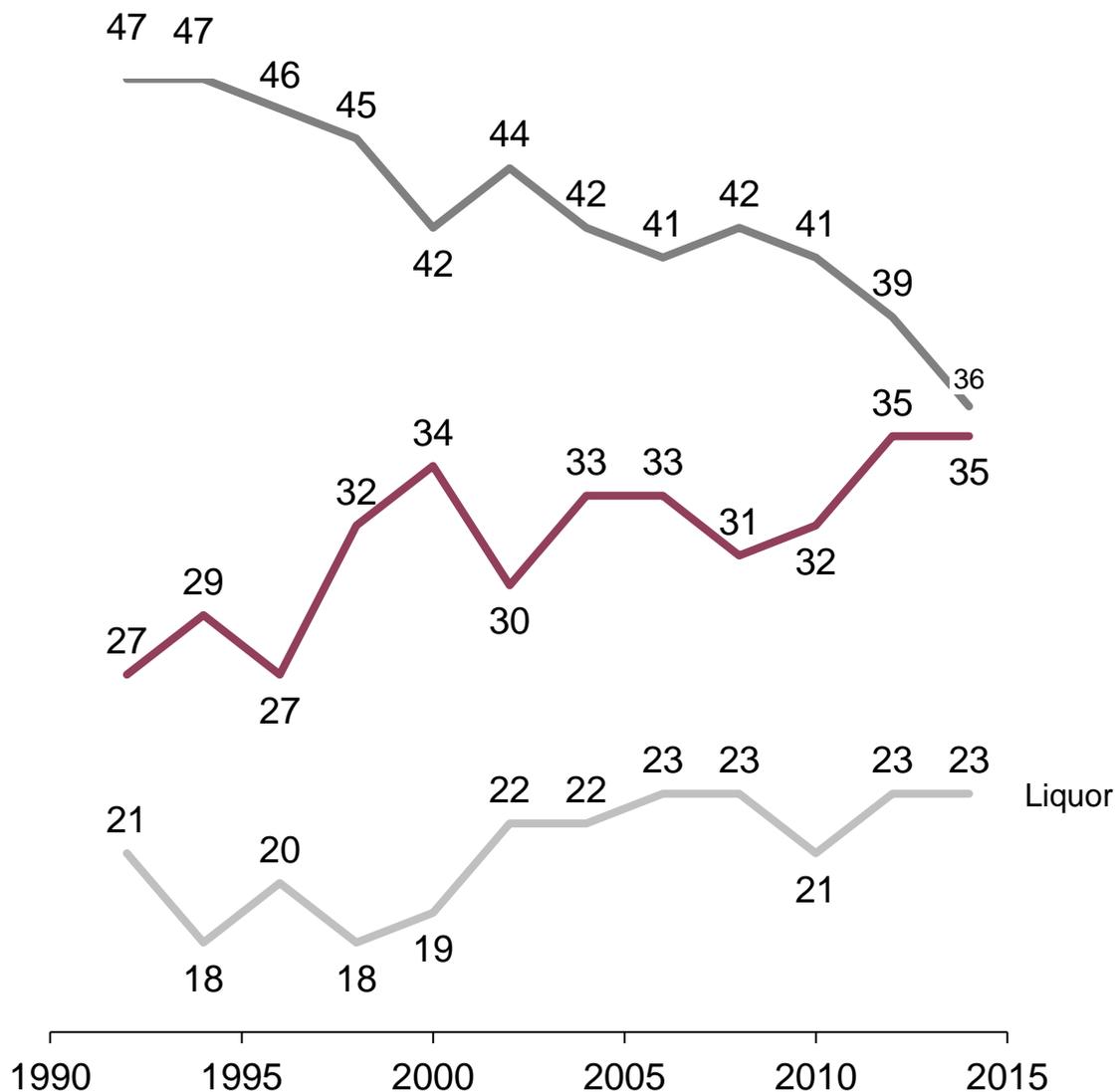
We proud ourselves on taking a fresh look on things

#### *Better*

We keep improving – both our wines and our people

## Shifting consumer preferences: wine up, beer down

US Gallup survey: Do you most drink liquor, wine or beer? %



*“Rosé Is Seeing Explosive Growth as Its Summer Rival, Beer, Goes Flat”*

– 3 August, 2017

**Bloomberg**

*“Goldman downgrades beer stocks because millennials like wine better”*

– 24 July, 2017

**CNBC**

*“Millennials Are Drinking More Wine Than Boomers”*

– 17 February, 2016

**FORTUNE**

*“The world is facing a wine shortage, with global consumer demand already significantly outstripping supply, a report [by Morgan Stanley] has warned.”*

– 30 October 2013

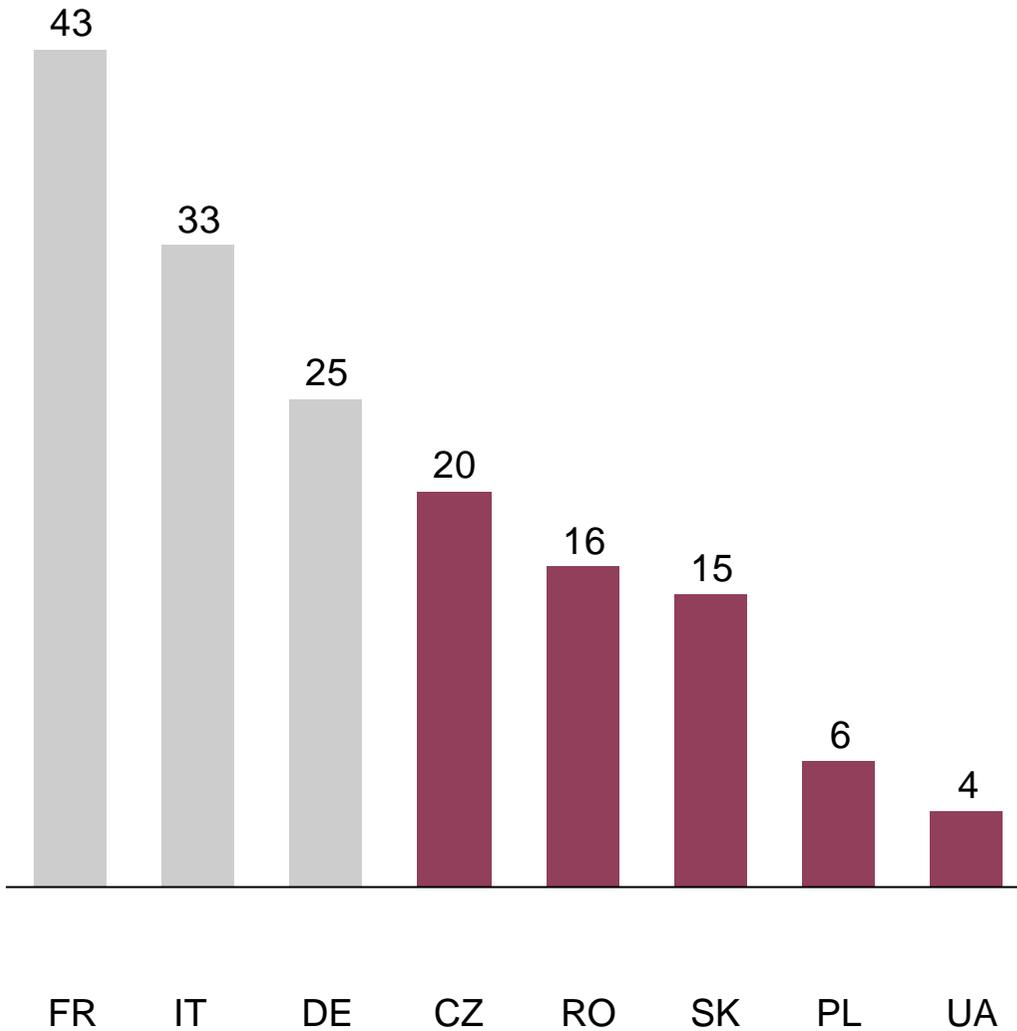
**BBC**

Sources Gallup – US consumer survey, <http://news.gallup.com/poll/163787 drinkers-divide-beer-wine-favorite.aspx>

## 2 CEE consumption especially strong, on shifting drinking patterns

### Plenty of catch up for CEE countries

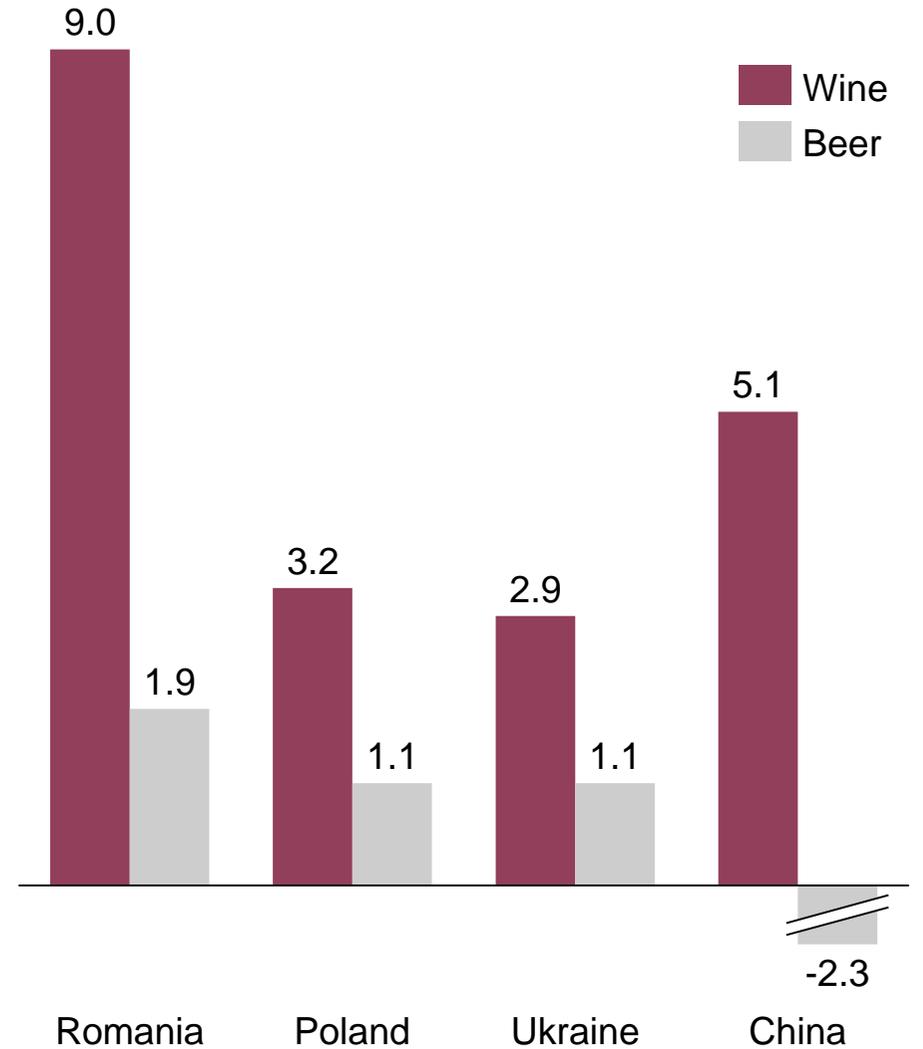
Wine consumption, litres per capita, selected countries



- Per capita wine consumption in CEE lags significantly WE levels, but catches up on growing share vs. beer

### Wine steals share from beer

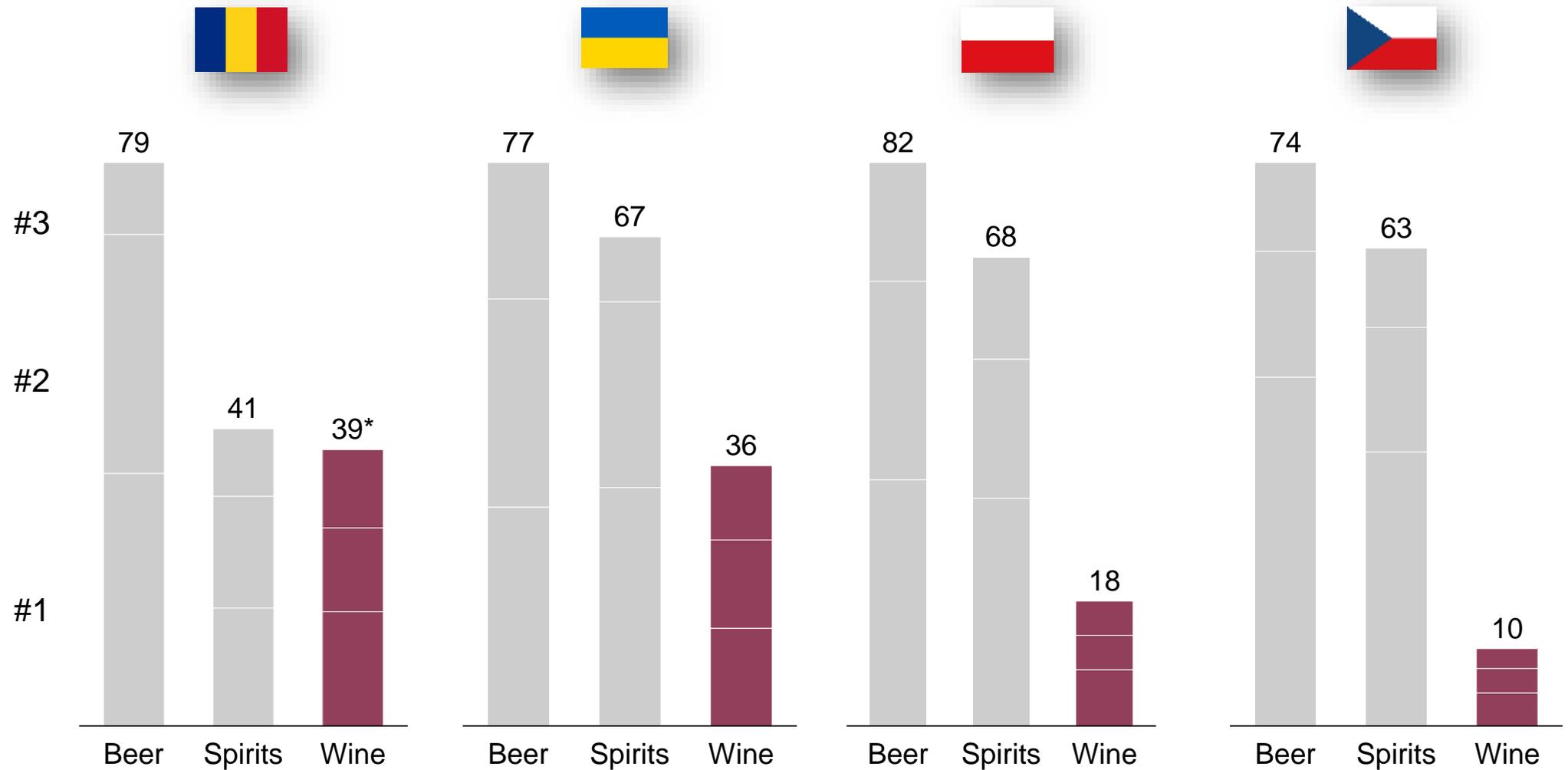
Forecast growth by category, by country 2016-2020F, %



- Romania, Group's largest market, show fastest growth forecast in CEE

## 2 Vision: Be the consolidator of a fragmented market

Volume share top-3 players by country, %

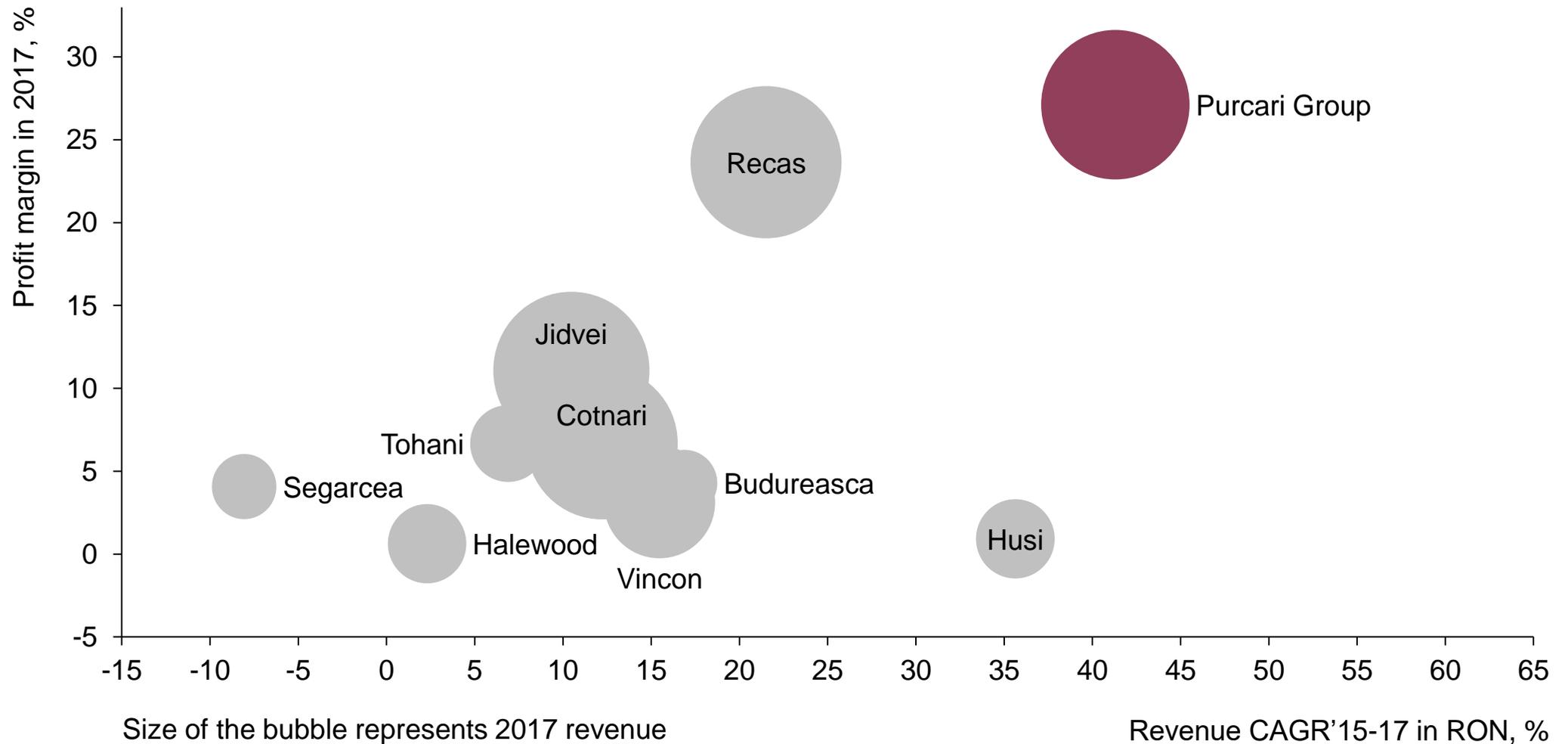


*As wine market moves from terroir- to brand-centric and leaders build scale / sophistication, the market is ripe for consolidation*

## 2 Fastest growing among large Romanian wineries

### Purcari Group – #1 fastest growing and #1 most profitable among large Romanian wineries

Revenue CAGR'15-17 in RON vs. profit margin in 2017 of top 10 wineries in Romania in terms of revenue in 2017

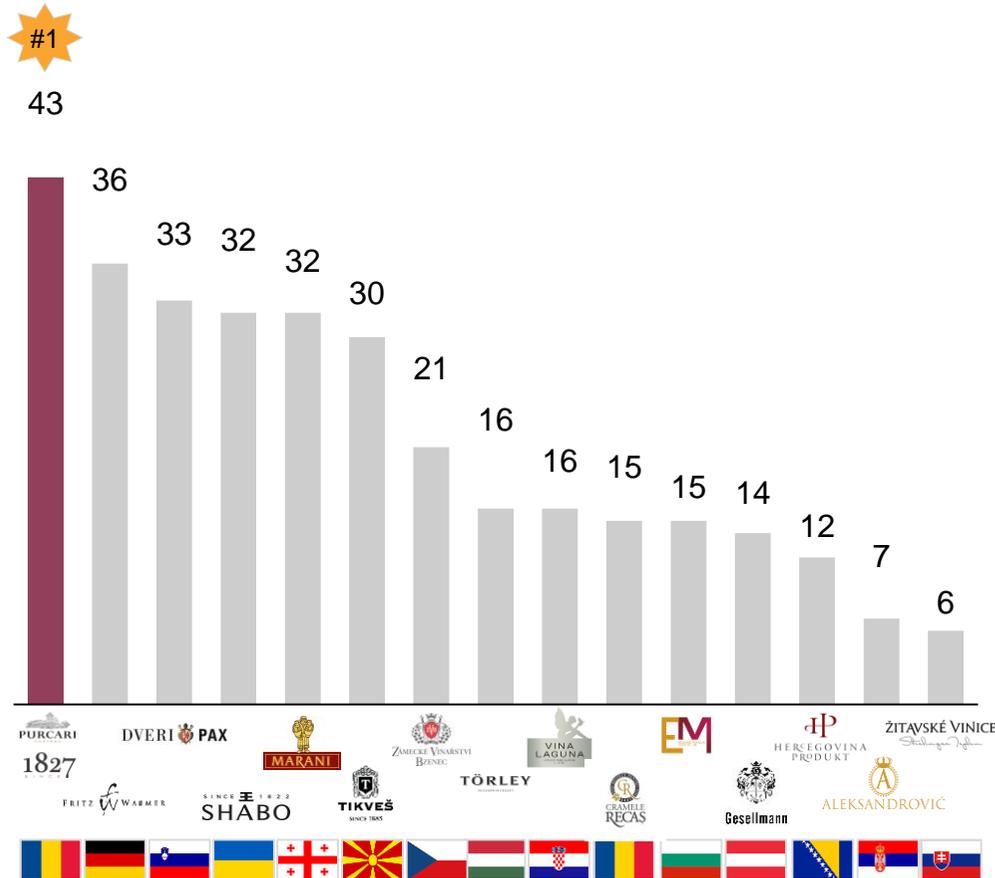


Note: Revenue for Purcari Group as per consolidated financial statements, revenue for other wineries as reported by the Ministry of Finance statutory accounts; The Ministry of Finance data is not on a consolidated basis. For Recas, Vincon, Halewood, Tohani, Budureasca only the main company of the group was considered. For Husi and Segarcea Profit margin of 2016 and Revenue CAGR'15-16 were considered as 2017 have been not published yet  
 Source: company data, public data

## 2 Quality highly commended, remain the most awarded winery in CEE

Leading medal-winning winery in CEE at Decanter, the Wine "Olympics"

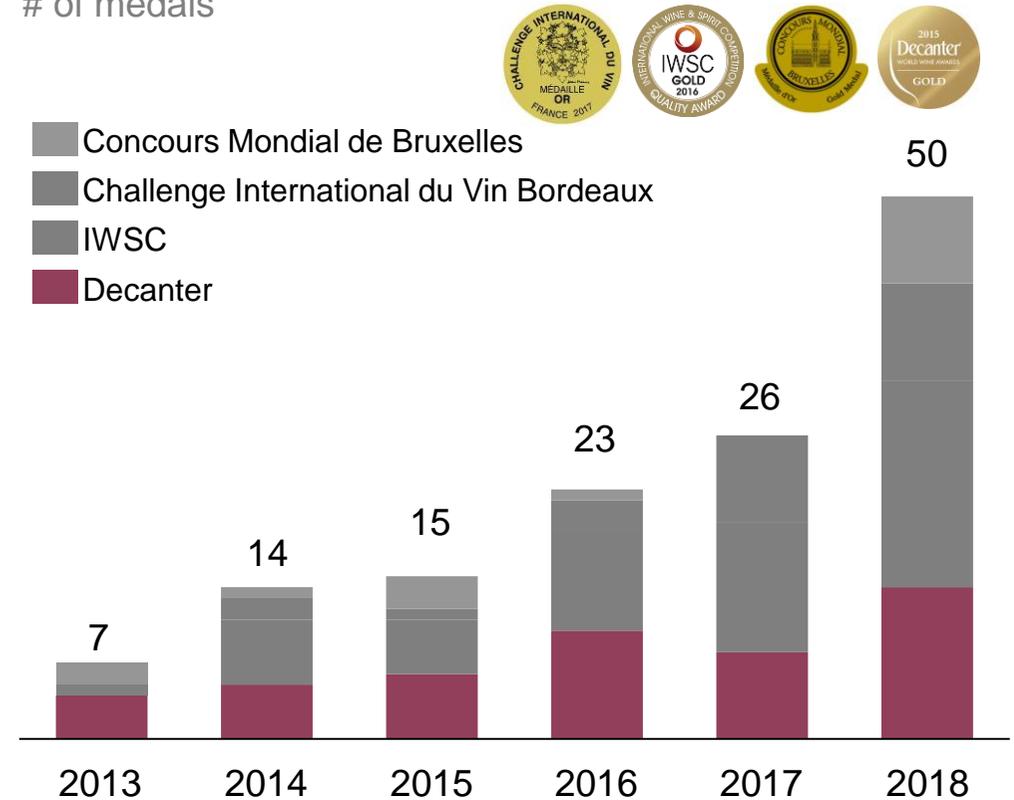
# of Decanter medals in 2015 - 18<sup>(1)</sup>



- Most awarded winery to the east of Rhine, ahead of reputable (and much pricier!) German, Hungarian or Austrian wineries

Increasing number of medals won from year to year

# of medals

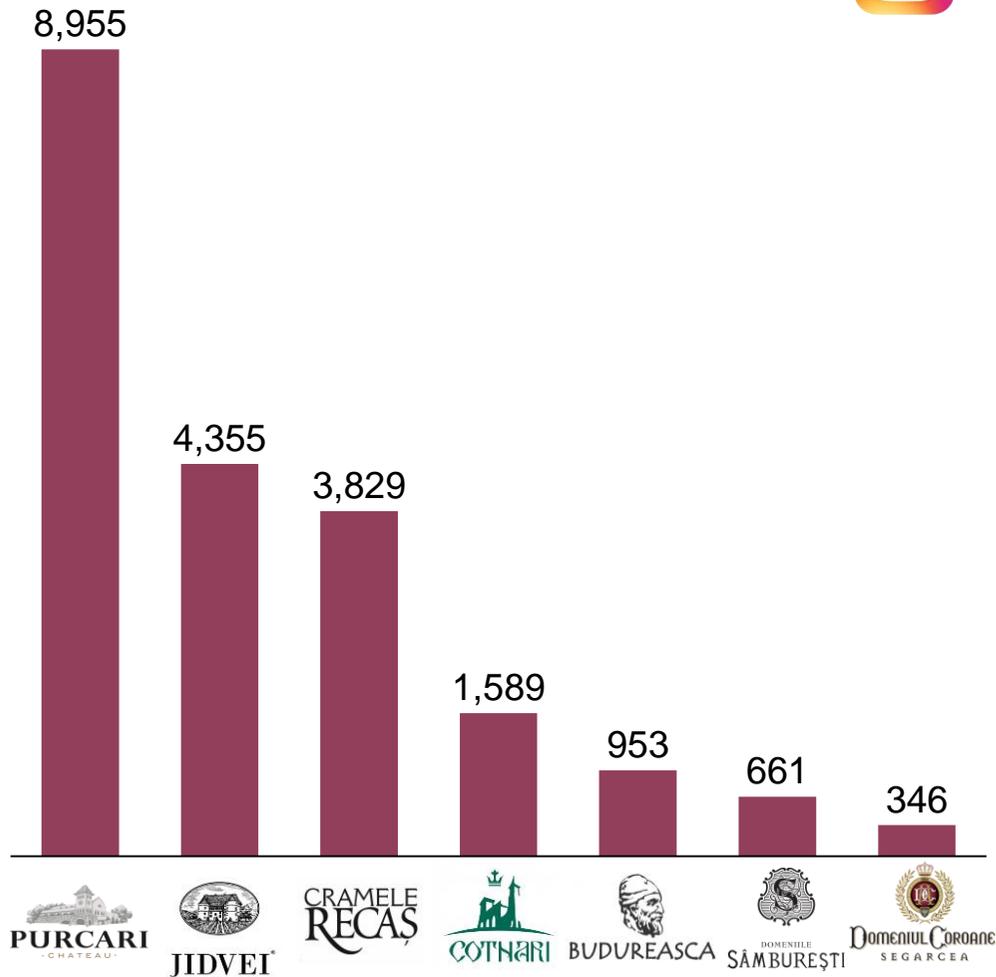


- Unlike beer or spirits, wine production is more prone to quality fluctuations. The Group has demonstrated the ability to keep raising the bar quality wise, as illustrated by the mounting number of medals won at top global competitions

## 2 Topping competition at engagement, quality

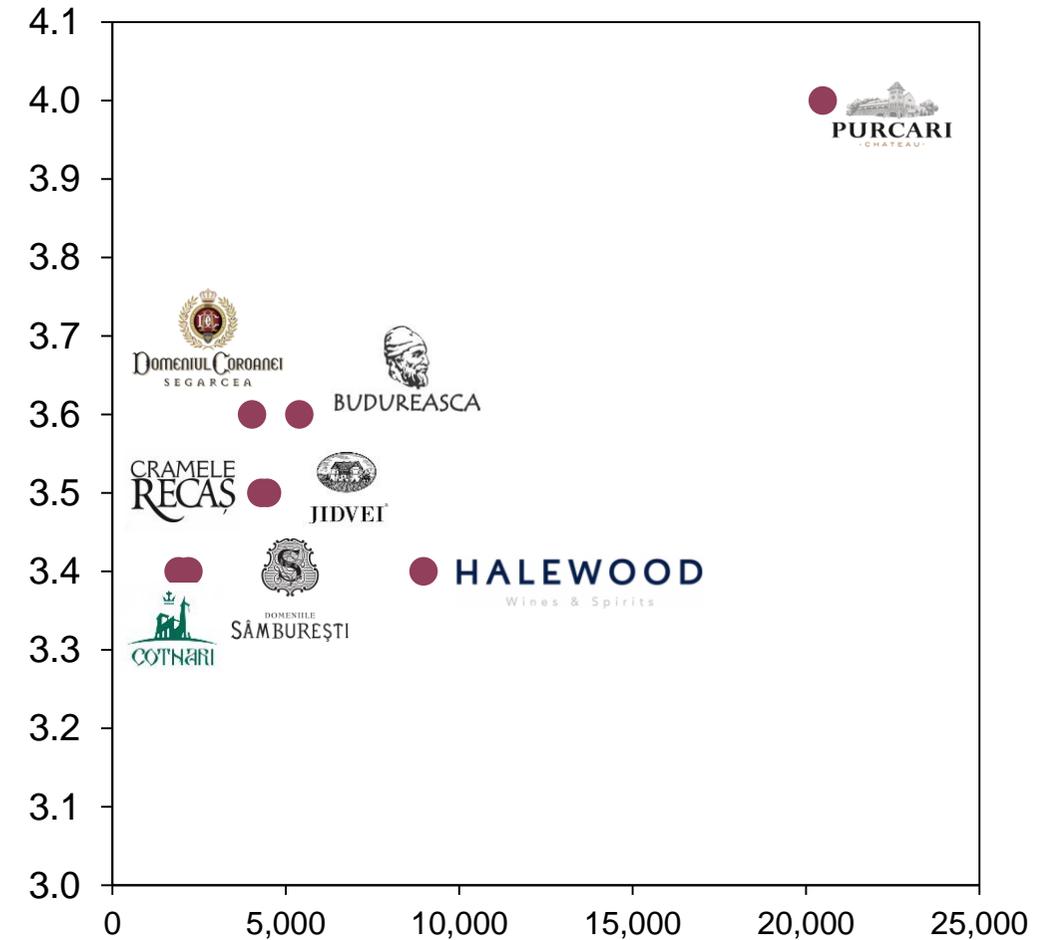
### Aspirational brand which consumers like sharing about

Number of #brand uses on Instagram, by key Romanian brands



### Highest number of ratings and highest scores on Vivino

X axis – number of Vivino ratings; Y axis – average Vivino score



Note: Purcari - #purcari, Cramele Recas - #recas, Jidvei - #jidvei, Cotnari - #cotnari, Budureasca - #budureasca, Samburesti - #samburesti, Segarcea - #segarcea  
Sources: Instagram, Vivino as of Feb 13, 2019

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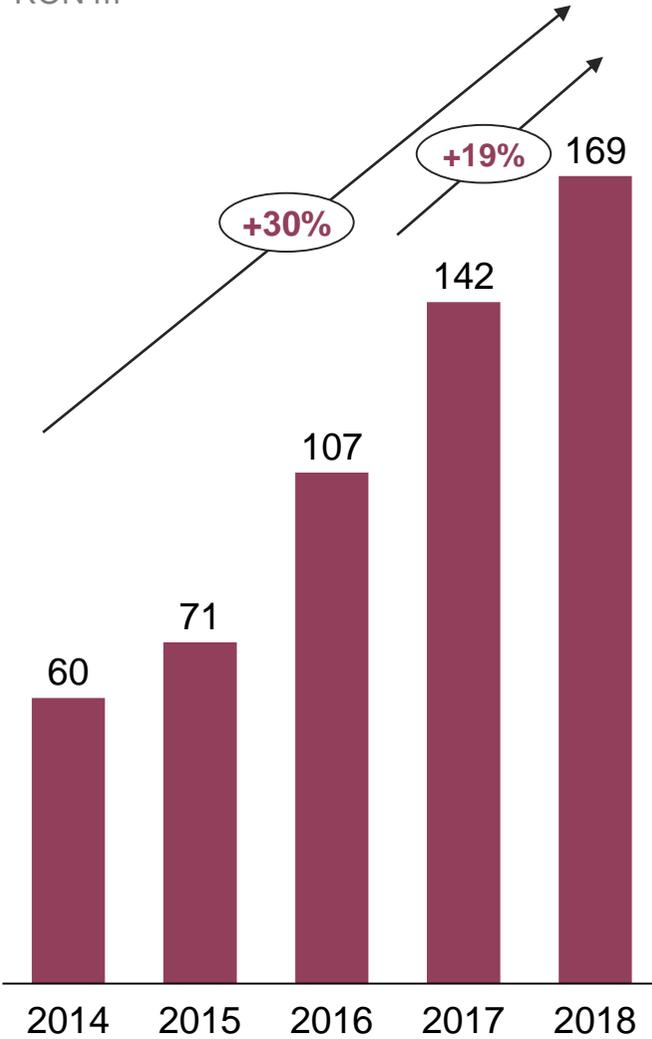


Freedom Blend,  
indigenous grapes  
from Moldova,  
Georgia, Ukraine;  
91 points by Wine  
Enthusiast

### 3 Robust revenue growth, up 19%, with EBITDA growing ahead of sales

#### Revenues

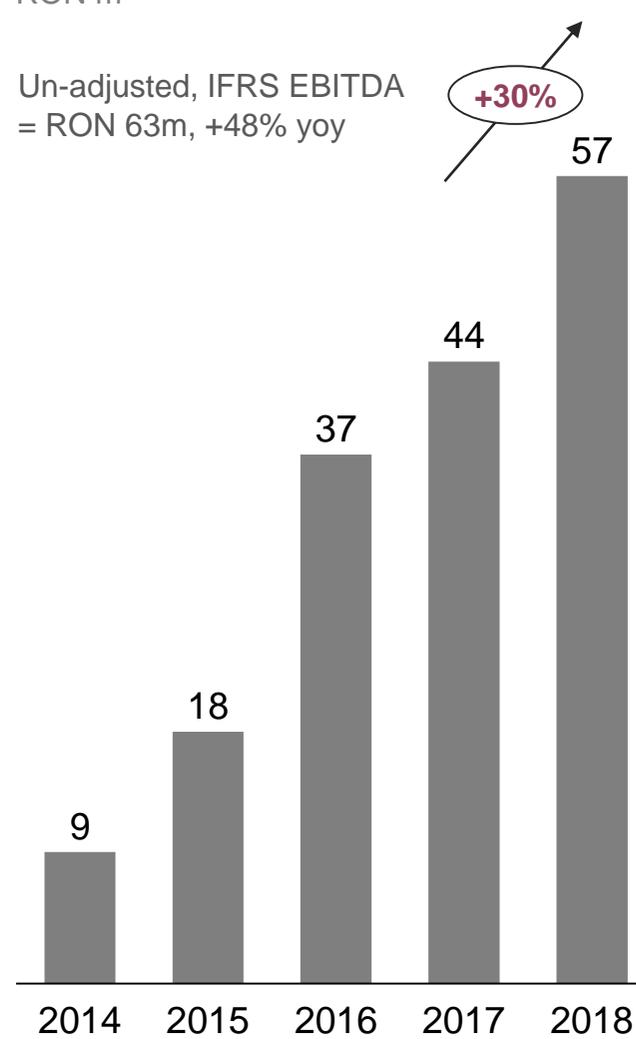
RON m



#### EBITDA<sup>1</sup>

RON m

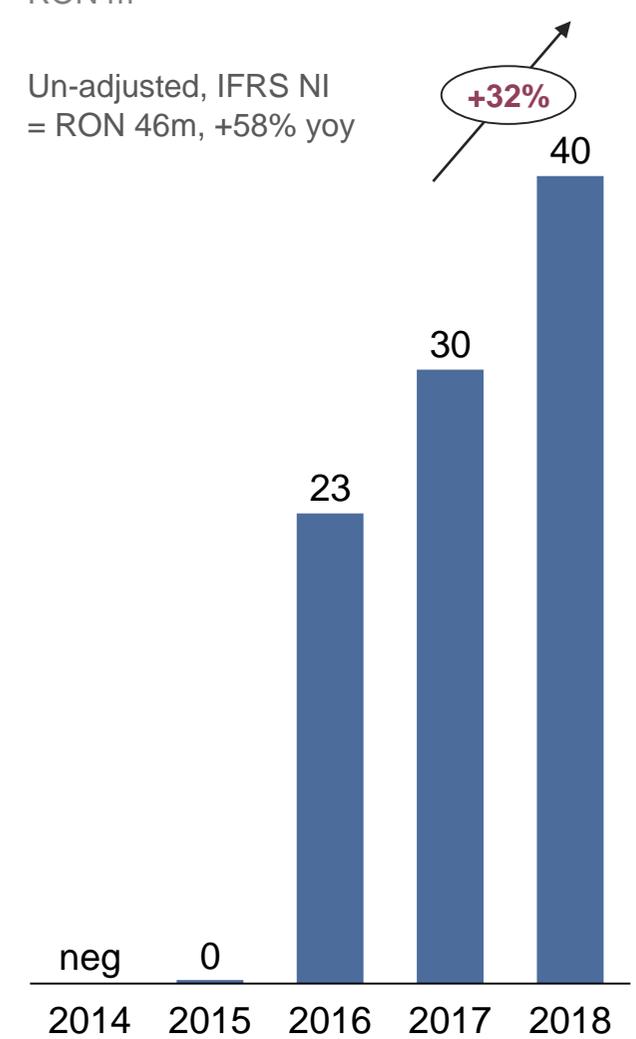
Un-adjusted, IFRS EBITDA = RON 63m, +48% yoy



#### Net Income<sup>2</sup>

RON m

Un-adjusted, IFRS NI = RON 46m, +58% yoy



Note: (1) EBITDA normalized for non-recurring, IPO-related expenses incurred in 2017 and 2018 (2) Net income normalized for non-recurring, IPO-related expenses; investment asset revaluation; acquired debt recognition. Un-normalized Net Income for 2018 is RON 45,675,655; Un-normalized Net Income for 2017 is RON 28,958,934

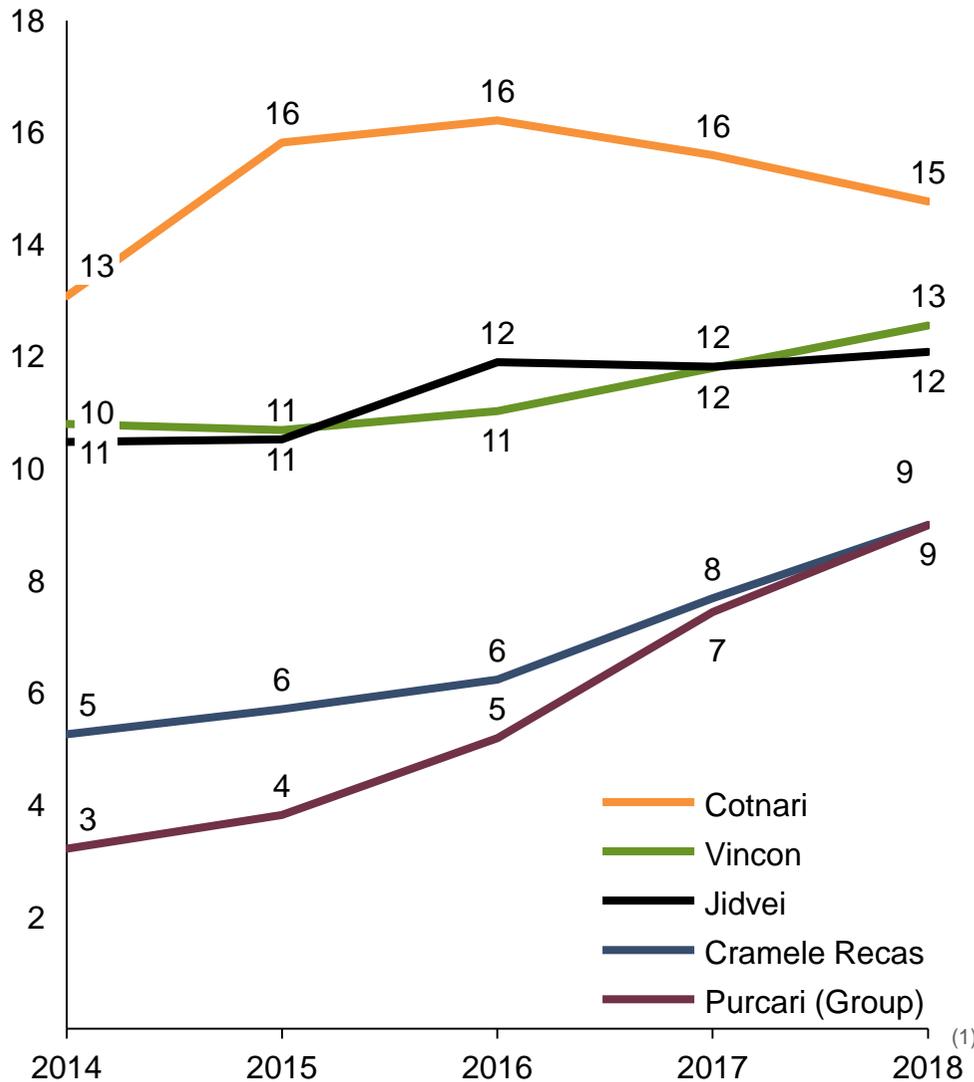
### 3 Markets: Romania remains key driver, record quarter in Poland

Market	Share of sales, 2018	Growth, 2018 yoy	Comments
RO 	40%	+30%	<ul style="list-style-type: none"> <li>RO: Crama Ceptura demonstrates excellent growth, expanding beyond Bucharest, penetrating new price segments. The sell-off during Christmas season was very strong, with very encouraging re-stocking by retail channel at the beginning of 2019.</li> </ul>
MD 	23%	+19%	<ul style="list-style-type: none"> <li>MD: good growth despite logistically challenging transition to new distributor, Coca Cola Hellenic. Did lose some sales because of disruptions, but overall transition on track, first results encouraging.</li> </ul>
PL 	11%	+22%	<ul style="list-style-type: none"> <li>PL: Ongoing improvement of results, driven by pick-up in Bostavan performance, as we continue focusing on rejuvenating the brand and ramping up our marketing communication in this core market.</li> </ul>
CZ SK  	7%	+9%	<ul style="list-style-type: none"> <li>CZ,SK: good growth across channels, as in Poland, focus on rejuvenating our positioning.</li> </ul>
ASI 	5%	-4%	<ul style="list-style-type: none"> <li>ASIA: weak Q4, on tepid orders from current distributors. We focus on developing a sustainable commercial strategy for China, as current setup rather unpredictable.</li> </ul>
UA 	3%	+4%	
RoW 	11%	+2%	

### 3 Clear #1 in premium in Romania, keep gaining share

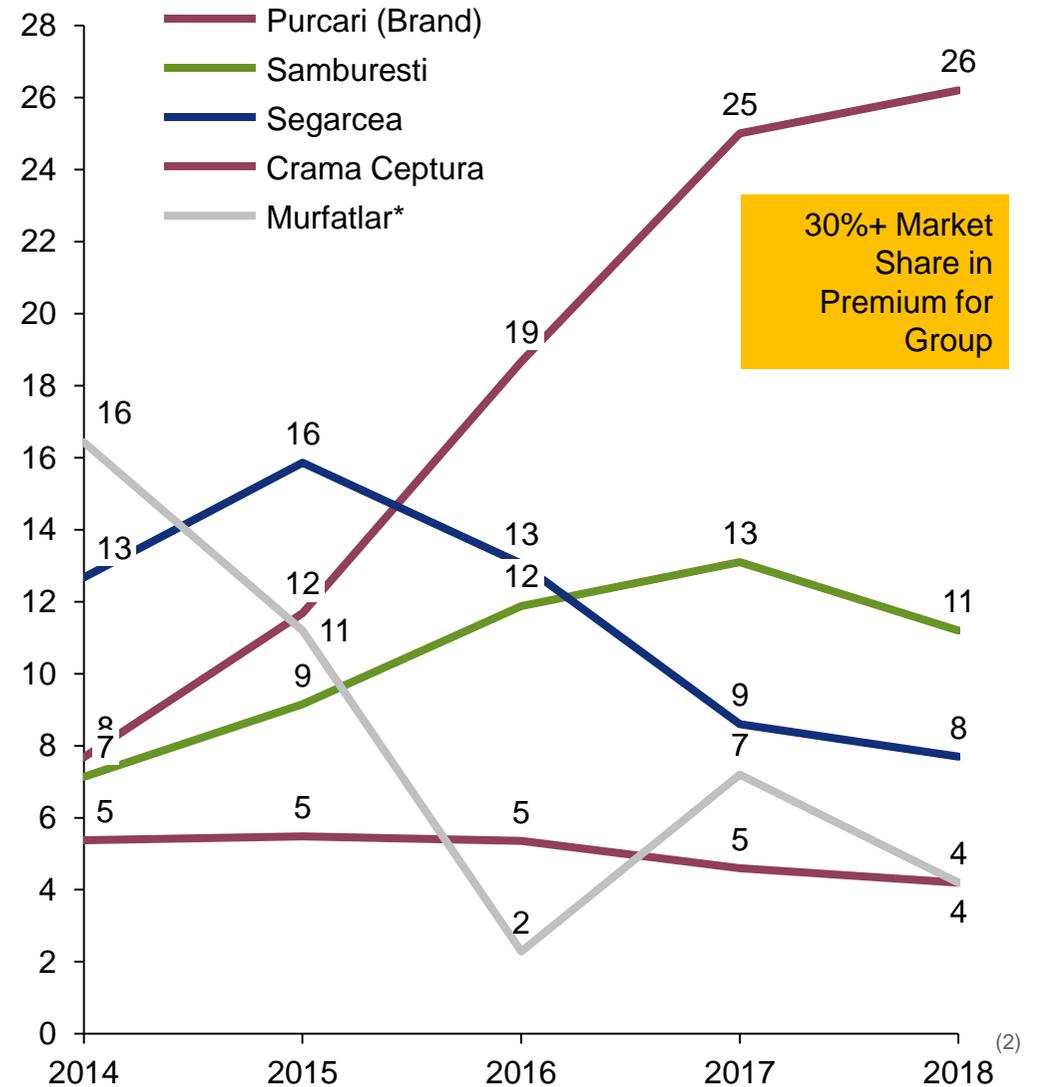
#### Overall, Purcari has tripled MS in 4 years....

Value share of TOTAL retail market, Romania, %



#### ...while becoming a clear #1 in Premium

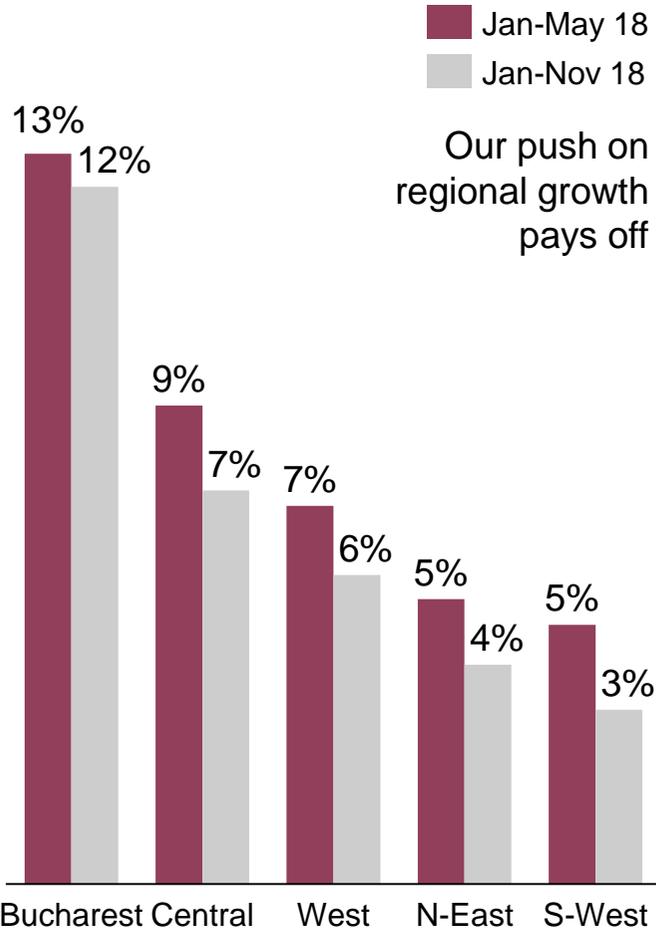
Value share of Premium (RON 30+/liter) retail market, %



# 3 Romania still offers plenty of headroom; regional push pays off

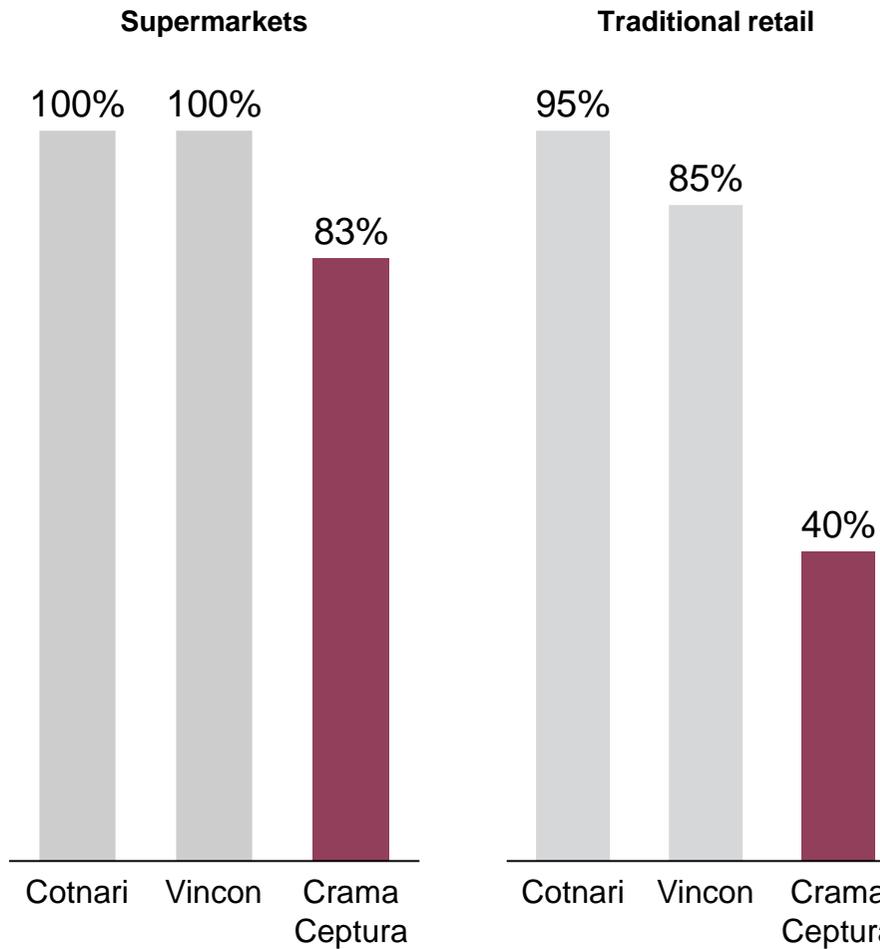
## Focus on growth beyond Bucharest

Purcari Group market share by region, 2018



## Big headroom for increasing distribution

Crama Ceptura brand – weighted distribution vs. peers, 2018



## Global peer group

Market share, %



Note 1 – Source: Bank of Georgia, 9M 2017 Report; Note 2 – Source: Statista, Market share of domestic wine producers in the United States in 2015; Note 3 – Concha y Toro annual report 2016 for sales in Chile and market size figures from Wine of Chile.

### 3 Brands: growth driven by premium, Crama Ceptura gaining traction

Brand	Share of sales, 2018	Growth, 2018 yoy	Comments
	37%	+19%	<ul style="list-style-type: none"> <li>PURCARI: Romania remains key driver, up 31%, strengthening position as clear #1 in premium while focusing on regional expansion; Poland picked up in 4Q almost doubling yoy, albeit from low base; Ukraine and Moldova growing steadily at circa 10%, Asia adversely affected by lower 4Q</li> </ul>
	32%	+10%	<ul style="list-style-type: none"> <li>BOSTAVAN: strengthened traction in Poland, growing over 50% yoy in 4Q, expect more improvements in 2019 on ongoing marketing / portfolio revamp</li> </ul>
	16%	+25%	<ul style="list-style-type: none"> <li>CRAMA CEPTURA: successfully entered new segments, including the excellent traction of the upper mainstream Astrum brand. Focus on building out Crama Ceptura into a national, high volume brand, from still low base i.e. ample headroom for growth</li> </ul>
	14%	+36%	<ul style="list-style-type: none"> <li>BARDAR: ongoing shift from bulk to bottle; soft launched in Romania, considering full roll-out</li> </ul>

#1 presence in the RON <30 and RON 30-60 segment;  
Hold 5 out of TOP-10 positions in the crucial RON 30-60 segment, 9 in TOP-25




Best wines under RON 30 right now  
These are the top 25 wines between RON 30 as rated by Vivino users in Romania over the past month.

Rank	Wine Name	Rating	Price (RON)
1	Sigillum, Busuioaca De Bohotin Demidulce	4,3	12,0 RON
2	Chateau Vartely, D'or Malbec - Syrah...	4,1	17,0 RON
3	Tohani, Mosia de la Tohani Feteasca...	4,0	26,0 RON
4	Gitana, Rosu de Gitana Sec	3,9	26,2 RON
5	Iacob, Cabernet Sauvignon - Feteasca...	3,8	48,2 RON
6	Bostavan, Dor Rara Neagra - Cabernet...	3,8	17,0 RON
7	Quinta do Espirito Santo, Tinto	3,7	26,1 RON
8	Vincon, Rose Verite Demisec	3,8	23,9 RON
9	Crama Ceptura, Cervus Cepturum Rose...	3,9	15,1 RON
10	Domenille Panciu, Feteasca Neagra	3,8	23,4 RON
11	Crama Ceptura, Astrum Cervi Feteasca...	3,8	21,5 RON
12	Cimara, Sauvignon Blanc	3,7	23,7 RON
13	Crama Ceptura, Cervus Magnus...	3,6	29,6 RON
14	Domenille Samburesti, Roze	3,6	29,0 RON
15	Ca'de Monaci, Primitivo di Manduria	3,6	22,1 RON
16	Domenille Samburesti, Cabernet...	3,6	28,7 RON
17	Castillo de Alcoy, Reserva	3,6	12,5 RON
18	Aurelia Visinescu, Arbor Syrah...	3,6	30,0 RON
19	Marcianti, Primitivo di Manduria	3,6	25,5 RON
20	Jidvei, Dry Muscat Demisec	3,6	20,0 RON
21	Faurar, Rosu de Ceptura	3,6	26,0 RON
22	Zarea, Diamond Collection Demi-Sec	3,6	25,7 RON
23	Crama Ceptura, Astrum Cervi Cabernet...	3,6	17,1 RON
24	Allini, Conegliano Valdobbiadene...	3,6	28,4 RON
25	Baturrica, Tarragona Gran Reserva	3,5	16,6 RON

#1



Best wines between RON 30 and RON 60 right now  
These are the top 25 wines between RON 30 and RON 60 as rated by Vivino users in Romania over the past month.

Rank	Wine Name	Rating	Price (RON)
1	Fautor, Aurore Feteasca Neagra...	4,3	56,3 RON
2	Purcari, Vinohora Feteasca Neagra...	4,3	45,5 RON
3	Purcari, Chardonnay de Purcari	4,3	31,0 RON
4	Purcari, Rara Neagra de Purcari	4,2	34,8 RON
5	Purcari, Freedom Blend	4,2	40,0 RON
6	Purcari, Cabernet Sauvignon de Purcari	4,2	31,0 RON
7	Tenuta Sant'Antonia, Scaia Bianco	4,2	55,0 RON
8	Mimi, Rosu de Bulboaca	4,2	47,4 RON
9	Fautor, Aurore Rara Neagra	4,2	59,0 RON
10	Casa Isarescu, Reserva Cabernet...	4,2	44,0 RON
11	Purcari, Rose de Purcari	4,1	34,5 RON
12	Jelna, Dealu Negru Reserva Cabernet...	4,1	42,5 RON
13	Purcari, Pinot Grigio de Purcari	4,2	31,0 RON
14	Flechas de los Andes, Aguaribay Malbec	4,0	57,9 RON
15	Talo, Primitivo di Manduria	4,0	46,9 RON
16	Purcari, Merlot de Purcari	4,0	31,0 RON
17	Sarica, Cail de la Letea Editie Limitata...	4,0	34,8 RON
18	Canosini, Tufarelo Puglia Nero di Troia	4,0	43,0 RON
19	Villa Maria, Private Bin Organic...	4,0	50,5 RON
20	Gitana, Autograf Merlot	4,0	45,5 RON
21	Terase Danubiane, Prince Mircea Merlot...	3,9	46,0 RON
22	Doppio Passo, Primitivo	3,9	40,3 RON
23	Domenille Panciu, Casa Panciu...	3,9	32,0 RON
24	Purcari, Sauvignon de Purcari	3,9	35,6 RON
25	Paganus, Cabernet Sauvignon	3,9	39,9 RON

#1

- We remain **obsessed about the quality of our wines**, which pays off in excellent consumer feedback
- In our core premium segment, 30-60 RON per bottle, shelf price, we dominate the category with **9 best rated wines in Vivino's top-25**
- Our **push in upper-mainstream** segment shows good results, with 5 of our wines in top-25 <30 RON
- We remain convinced, it is the **product that will make the difference** mid and long term with consumers, so focus on making exciting wines, that capture people's imagination

### 3 Maintaining solid margins, despite negative FX impact

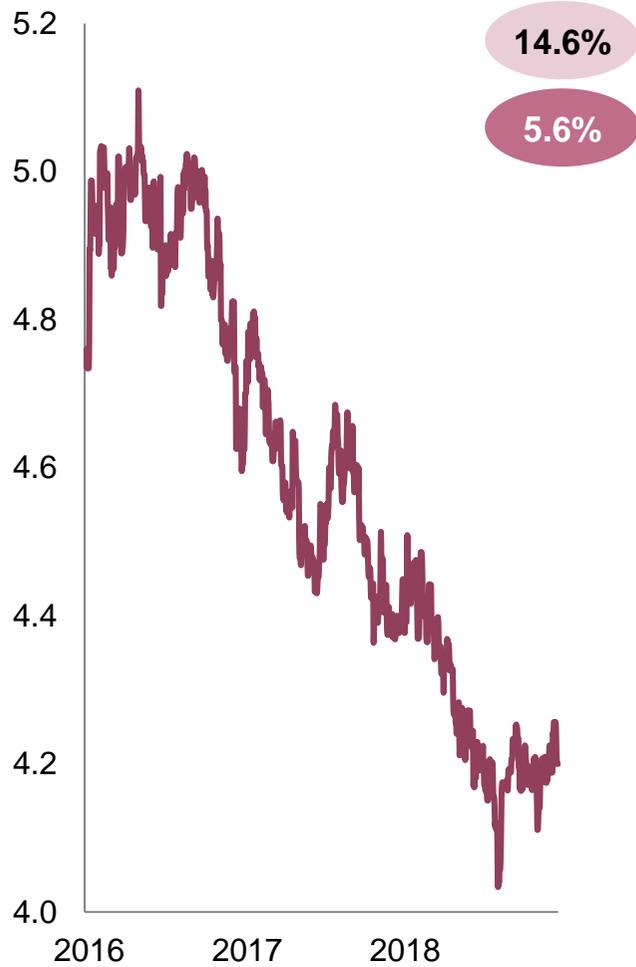
RON m	2014	2015	2016	2017	2018	△ '18/'17
Revenue	60	71	107	142	169	19%
Cost of Sales	(39)	(42)	(53)	(75)	(86)	15%
Gross Profit	20	29	53	68	83	22%
<i>Gross Profit margin</i>	34%	40%	50%	48%	49%	+2pp
SG&A	(18)	(18)	(23)	(32)	(38)	17%
Marketing and selling	(5)	(7)	(10)	(11)	(13)	17%
General and Administrative	(10)	(9)	(12)	(17)	(22)	25%
Other expenses	(3)	(1)	(1)	(4)	(3)	-20%
EBITDA	9	18	37	42	63	48%
<i>EBITDA margin</i>	15%	25%	35%	30%	37%	+7pp
Adj. EBITDA <sup>1</sup>	9	18	37	44	57	30%
<i>Adj. EBITDA margin</i>	15%	25%	35%	31%	34%	+3pp
Net Income	(8)	0	23	29	46	58%
<i>Net Income Margin</i>	na	0%	22%	20%	27%	+7pp
Adj. Net Income	(8)	0	23	30	40	32%
<i>Adj. Net Income Margin</i>	na	0%	22%	21%	24%	+2pp

#### Comments

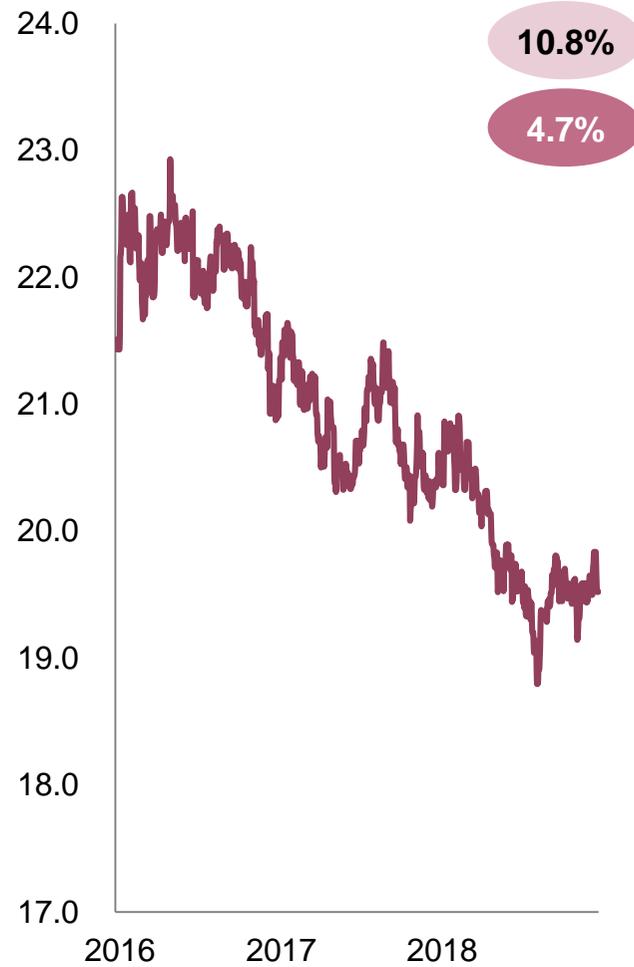
- Gross margin improved 2 pp, despite average MDL/RON 7% higher during 2018
  - Appreciation has adverse effect on cost of sales, through pushing value of wine inventories
  - Additional negative impact on increased cost of labour in Moldova
- SG&A up 17% yoy, mostly pushed by staff increases post IPO and higher salary costs – overall share of SG&A in Revenue still on par or below wine peers;
- Marketing and selling expenses moderately up on increased headcount and marketing costs
- G&A up 25%, on growing staff, MDL vs. RON strengthening impacting salaries, higher consultancy costs and depreciation
- Net Income and EBITDA are adjusted for
  - (a) Non-recurring IPO costs, RON 1.2m in 2017; RON 0.9m in 2018
  - (b) Non-cash, one-off revaluation gain of a minority holding, reclassified from associate into investment asset category, RON 4.2m
  - (c) Recognition of discount on guaranteed debt acquisition

### 3 MDL appreciated strongly, adversely impacting margins

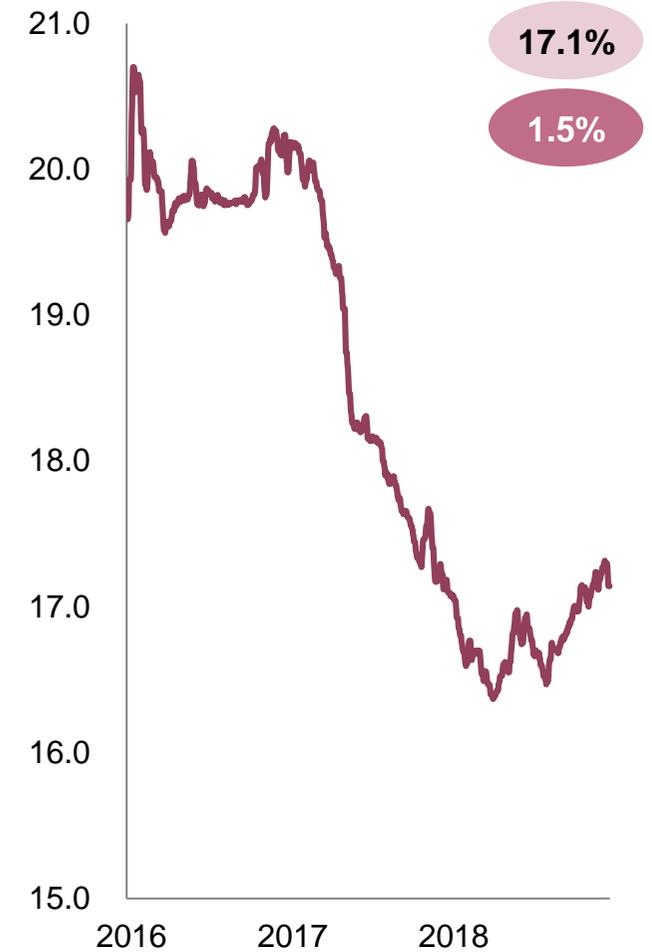
MDL vs RON: 2016 – 2018 FX evolution



MDL vs EUR: 2016 – 2018 FX evolution

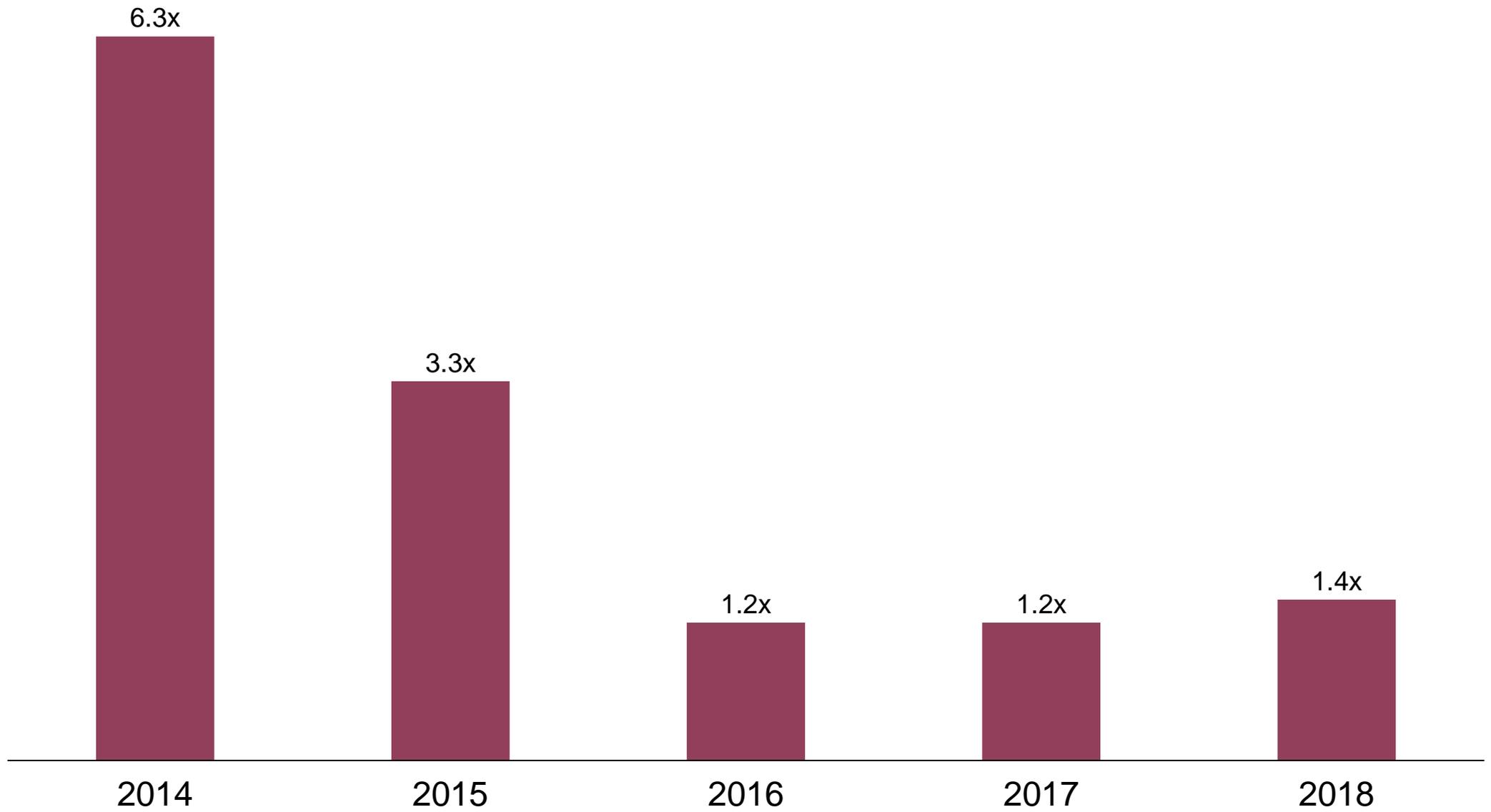


MDL vs USD: 2016 – 2018 FX evolution



 MDL appreciation vs. 4Q16 avg  
 MDL appreciation vs. 4Q17 avg

**3 Keep leverage moderate, aim Net Debt/EBITDA below 1.5x**



Bostavan Dor Sparkling (Mar)  
Taste the Life campaign



Initial Cork Offering (Apr)  
April's Fool prank



Crama Ceptura Summer (May)  
Summer has Taste campaign



Purcari - Summer in Rosé (Jul)  
7m+ reach, a stylish alternative to beer



Purcari Wine Run (Aug)  
10km through the vineyards



Fireplace photo event (Oct)  
Hundreds have lined up for photos



Top-10 global sparkling award (Nov)  
Best of the best at Effevescents du Monde



Her Majesty gifted Purcari (Nov)  
Our ambassador to UK, revives a tradition



Accente campaign (Dec)  
Gone viral, 3.6m views on FB, YT, Instagram



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4 **2019 outlook**

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Cuvée de Purcari, the extension to sparkling launched in 2017. Made according to the traditional, *Champenoise* method, with in-bottle fermentation

**Victoria Mason, Wine Buyer  
Waitrose**

*“Romanian wine is a real success story and word is definitely getting around about how delicious it is...super wines that are exceptionally good value”*

**Caroline Gilby,  
Wine Consultant, Master of  
Wine**

*“In Eastern Europe, the quality is as good as anywhere in the world from the top wine producers. It’s the last unexplored part of the wine world”*

**Paul Attwood-Philippe,  
regional director  
VINEX Marketplace**

*“[major retail buyers are receptive to]...finding new supply partners, and supply from emerging markets, particularly in Eastern Europe...Hungary and Romania have the experience and track record to benefit most”*

*“The market for new opportunities is moving increasingly towards Moldova and Ukraine thanks to both an increase in quality of the wine, a stronger export strategy and price per litre”*

**Richard Siddle, wine journalist  
Harpers Wine & Spirit**

*“International buyers have had to look further afield for new suppliers, which has finally opened the door for producers...in Romania, Moldova, Bulgaria, Georgia, Slovenia, Macedonia...”*

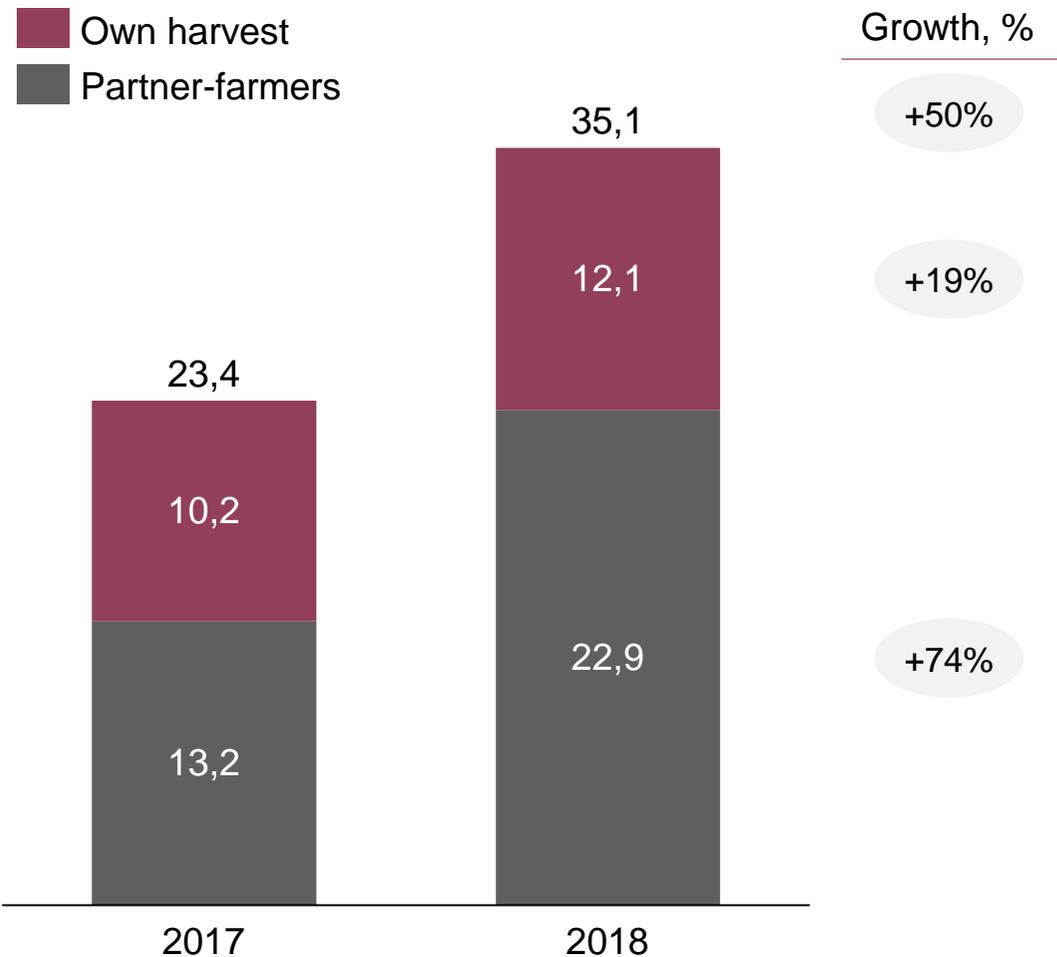
**ALIA AKKAM,  
Vogue**

*“[...] Moldova Is a Wine Destination Worth Knowing Now. [...] Finally, other countries are beginning to take note of distinctly Moldovan wine. ”*

## 4 Strong 2018 harvest, positioning well for ambitious 2019

### Strong 2018 harvest was complemented by aggressive sourcing of third party grapes from partner-farmers

Own harvest and 3<sup>rd</sup> party purchases of grapes, million kg



### Comments

- There are three generic options for securing wine inventories: (1) growing own grapes, (2) processing 3<sup>rd</sup> party grapes, (3) purchasing 3<sup>rd</sup> party bulk;
- Options (1) and (2) are more capital intensive, but ensure best margins and quality
- Harvest on own vineyards was very strong in 2018, both quality, especially for reds, given hot summer, and quantity - +19% vs. 2017 harvest
- Additionally, we ramped up purchases of 3<sup>rd</sup> party grapes, taking advantage of favorable pricing environment
- Increase in inventories will help (1) abstain from any 3<sup>rd</sup> party bulk purchases in 2019, (2) set larger amounts of red wines for maturation to satisfy the increasing demand for premium wines, rising much faster in our portfolio vs. mainstream wines, (3) create distillate stocks for Bardar, our brandy line, which grows fastest in our portfolio

## 4 Guidance 2019 – keeping growth and profitability up

Target	2019 guidance	Comments
Organic revenue growth	<b>+18-22%</b>	<ul style="list-style-type: none"> <li>• Momentum in core CEE markets strong, clear drivers of growth, by entering new accounts, expanding in traditional trade and pushing newer launched categories – brandy and sparkling</li> <li>• Continue to focus on margins over volume, maintain premiumization trend</li> </ul>
EBITDA margin	<b>32-34%</b>	<ul style="list-style-type: none"> <li>• Strong global harvest in 2018 may put some pressure on prices, but we have a legacy of staying disciplined and not succumb to discounting, as offer superior quality and excellent value for money</li> <li>• Ongoing cost discipline; positive impact of tax reform in Moldova.</li> </ul>
Net Income margin	<b>22-24%</b>	<ul style="list-style-type: none"> <li>• Financing cost does rise, on higher rates in Romania, but financing in Moldova remains very competitively priced</li> </ul>

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Purcari Ice Wine, Decanter Platinum, 95 points, Best CEE sweet



Thank you.